



Financial Overview

Texas Parks and
Wildlife Department

JANUARY 2019



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INTRODUCTION

The Texas Parks and Wildlife Department Financial Overview document was developed by TPWD’s Financial Resources Division to provide information on agency responsibilities, sources of funding, budget and financial issues, and appropriation requests. Its primary design is to function as a reference tool for commissioners, management, employees, constituent groups and other agency customers.

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Roles and Responsibilities

The mission of TPWD is “to manage and conserve the natural and cultural resources of Texas and to provide hunting, fishing and outdoor recreation opportunities for the use and enjoyment of present and future generations.”

As reflected in the Parks and Wildlife Code, the department’s responsibilities encompass a range of activities.

State law authorizes TPWD to plan, acquire, improve, operate and maintain a system of public lands. These resources include over 1.4 million acres of parks and recreation areas, wildlife management areas, natural areas and historic/cultural areas. In all, the department manages 95 state parks and 50 wildlife management areas.

TPWD also continues to serve as the state agency with primary responsibility for conserving, protecting and enhancing the state’s fish and wildlife resources. In fulfilling these responsibilities, the department monitors and assesses habitats, surveys fish and game populations, conducts research and demonstration projects, provides technical guidance and assistance to landowners, and currently operates eight fish hatcheries.

The department is also charged with regulating and enforcing commercial and recreational fishing, hunting, and boating laws in the state. Since the consolidation of related regulatory powers in 1983, TPWD sets and administers all rules regarding the taking of fish and wildlife in Texas. A force of approximately 520 commissioned peace officers serving as TPWD game wardens, as well as over 150 commissioned park peace officers, ensure compliance with these regulations, and with provisions of the Texas Parks and Wildlife Code, certain

portions of the Penal Code, the Water Code and the Antiquities Code. TPWD game wardens have the same authority as a sheriff to apprehend, convict, fine, and jail violators, in coordination with state and local prosecutors and courts.

TPWD serves an important role in environmental protection by monitoring, conserving and enhancing the quality of rivers, streams, lakes, coastal marshes, bays, beaches, gulf waters, and other aquatic and wildlife habitats. These activities incorporate pollution surveillance and enforcement of certain environmental laws. By statute, the department coordinates much of this activity with other state and federal agencies such as the Texas Commission on Environmental Quality and the U.S. Environmental Protection Agency.

The department is the primary educator of the public regarding laws and rules related to fish, game and environmental habitats, boating safety, firearm safety for hunters, fish and wildlife conservation and outdoor recreation in general. In addition to offering workshops, certification classes and outreach events, the agency disseminates information to the public through the *Texas Parks & Wildlife* magazine, a daily radio series and a weekly television show that airs on numerous public broadcasting systems throughout the state.

Finally, the department also provides assistance and direct matching grants to local political subdivisions and nonprofit entities for planning, acquisition or development of local parks, indoor and outdoor recreational facilities, and for recreation, conservation and education programs for underserved populations. These grants are funded through a combination of state and federal sources.

Organization

The department is functionally organized into 12 divisions that range in size from 10 positions to 1,374 regular full-time equivalent positions (see Figure 1). Division oversight responsibilities rest with the Executive Director and the Chief Operating Officer. Except for some administrative functions, all divisions of the agency have locations at regional and other offices throughout the state.

The COMMUNICATIONS DIVISION is the marketing and public information arm of the department, responsible for administering

outreach and education programs and disseminating outdoor recreation/conservation-related information to the public through both internal and external media.

The COASTAL FISHERIES DIVISION is responsible for protecting, managing and ensuring the long-term sustainability of Texas' marine resources. Major activities and programs of this division include assessments for marine resource management; stock identification and research; fisheries enhancement; the Artificial Reef program; and

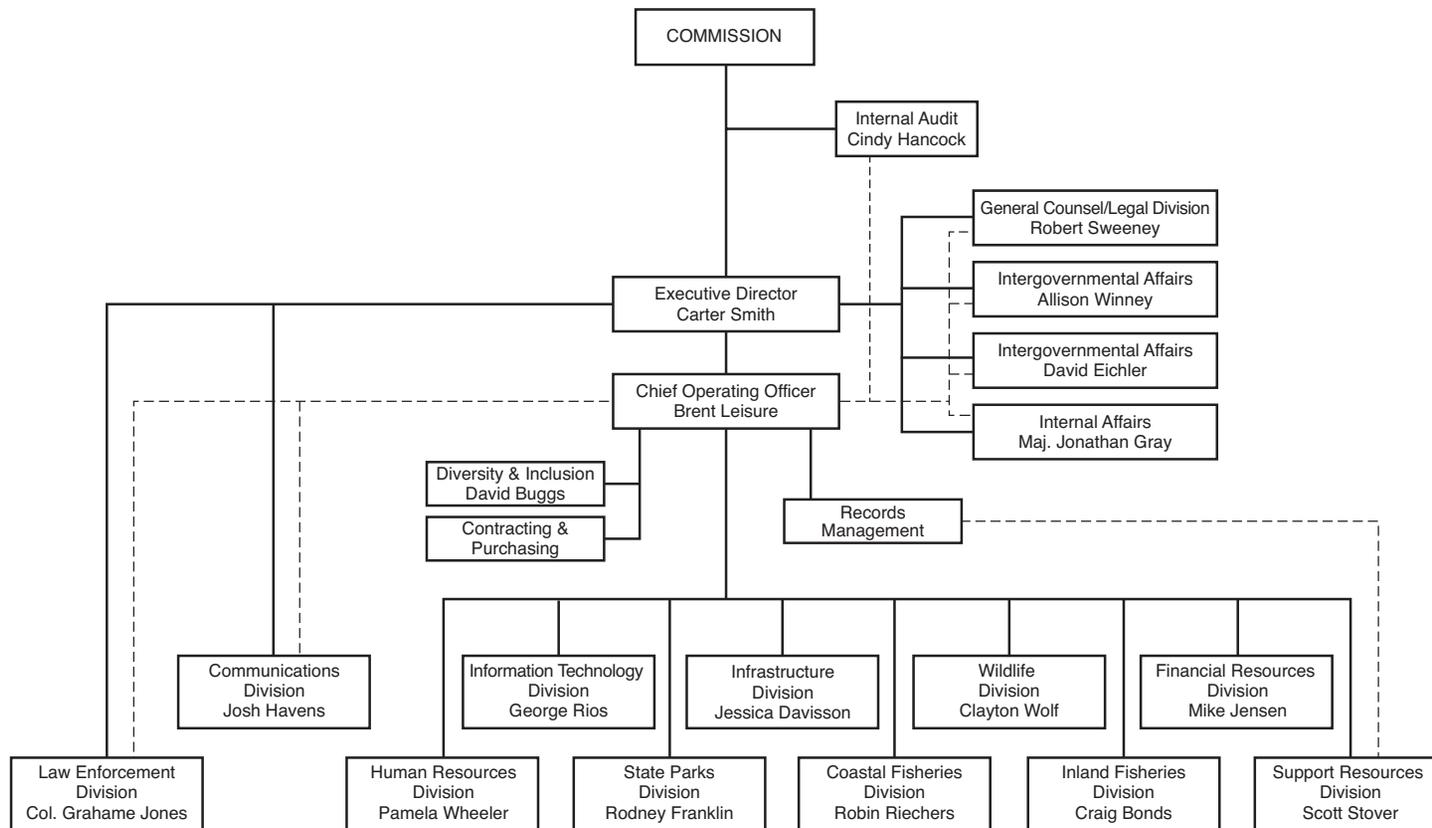


Figure 1

habitat conservation and restoration activities. The Coastal Fisheries Division also operates three marine fish hatcheries to produce and stock saltwater fish into public waters.

The FINANCIAL RESOURCES DIVISION provides financial management, accounts payable, and budget and planning services for the entire department. Boat registration and licensing functions are also included in this division.

The HUMAN RESOURCES DIVISION maintains all personnel records and develops personnel related policy and procedures; determines training needs and priorities; and provides day-to-day services in payroll, employee recruitment, benefits and relations.

The INFORMATION TECHNOLOGY DIVISION oversees information technology services in support of all TPWD divisions. Responsibilities include the development of policies and procedures, telecommunications and network operations, application development and maintenance, and hardware and software customer support.

The INFRASTRUCTURE DIVISION manages the capital construction program for TPWD facilities statewide. Division functions include project planning; budgeting; accounting; engineering and architectural design; design and construction contracting; construction; and construction inspections, construction management, and land surveying. The division also administers the land conservation program, including activities such as land acquisition and disposition, leasing, negotiation of easements and surface use agreements, and real estate administration.

The INLAND FISHERIES DIVISION is responsible for the protection, enhancement and regulation of the state's freshwater resources. Activities include fisheries management and research; ecosystem and habitat assessment; aquatic invasive species monitoring and treatment; instream flow and river studies; fish production; fish kill

assessments; natural resource damage recovery; wetlands conservation; permitting; angler education and information; and fishing access. The Inland Fisheries Division operates five freshwater fish hatcheries.

The LAW ENFORCEMENT DIVISION's main responsibility is to serve the citizens of Texas by providing professional law enforcement, water safety, and search and rescue, while working to conserve and protect the natural resources of Texas.

The LEGAL DIVISION provides legal assistance and advice to the TPW Commission and TPWD staff; represents the department in administrative legal proceedings; assists the Attorney General's office in litigation involving TPWD; and coordinates responses to requests for information under the Texas Public Information Act.

The STATE PARKS DIVISION is the largest (both organizationally and financially) of the agency's divisions, employing 1,374 FTEs responsible for the management and operation of all state parks, state natural areas, and historic sites, and for administration of the department's local parks grants program. Additionally, state parks peace officers are responsible for ensuring the overall safety, security and protection of state parks, visitors and resources.

The SUPPORT RESOURCES DIVISION provides agency-wide support for risk management, safety, FEMA coordination, fleet and radio, sustainability, ADA coordination, Austin HQ facility and grounds management, records management, and agency policy and procedures.

The WILDLIFE DIVISION manages the taking of state wildlife; coordinates wildlife management on department owned and other public lands; administers the public hunt program; conducts surveys and research studies; issues scientific permits; and provides wildlife management assistance to private landowners.

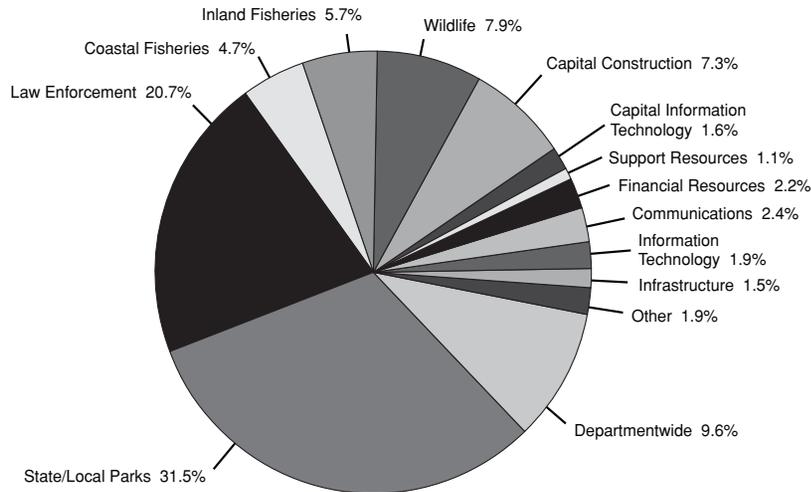
The Budget and Where It Goes

The Fiscal Year 2019 combined budget for TPWD, which includes operating expenses, capital projects, grants and employee benefits, totals approximately \$419.0 million.

BY DIVISION/FUNCTION

As shown in Figure 2, the State Parks Division accounts for the largest portion (31.5%) of the budget. Of the total State Parks Division budget of \$132.0 million, approximately \$18.3 million will be “passed through” in the form of grants to local governments and other entities.

FY 2019 Total Budget by Division \$419.0 million



Source: 8/23/18 Commission Meeting Materials, FY 2019 Operating and Capital Budget

Figure 2

Funding for the Law Enforcement Division comprises the second largest portion of the budget at 20.7 percent, or \$86.9 million. Departmentwide, which typically includes funding for initiatives such as debt service payments, allocations for the State Office of Risk Management (SORM), payments to license agents, and the point-of-sale contract, makes up a larger portion of the budget in Fiscal Year 2019 (about 9.6 percent or \$40.3 million) as compared to past years due to inclusion of estimated federal apportionments.

Allocations for aquatic resource protection and fish and wildlife management activities, reflected in the Wildlife, Coastal and Inland Fisheries divisions, together represent roughly 18.2 percent of the budget. The Wildlife Division budget is the largest, at \$32.9 million, followed by Inland Fisheries (\$23.8 million) and Coastal Fisheries (\$19.6 million).

Support functions provided by Communications, Executive, Financial Resources, Human Resources, Information Technology, Infrastructure, and Legal and Support Resources account for 11.0 percent of the budget. Finally, capital construction and capital information technology categories together account for approximately 8.9 percent of the overall Fiscal Year 2019 budget.

BY CATEGORY

As a heavily service-oriented agency with over 3,200 authorized full-time equivalent positions, personnel costs comprise the largest portion of TPWD’s budget. As shown in Figure 3, approximately 41.2 percent (or \$172.8 million) of the overall budget is allocated for salaries in Fiscal Year 2019.

Employee benefits account for an additional 17.8 percent (or \$74.5 million) of the Fiscal Year 2019 budget. It is important to note that

benefits are not considered part of TPWD’s appropriated amounts, rather, they are transferred to the state’s retirement system in compliance with provisions that require payments for employee benefit costs to be proportional to the source from which the salaries are paid. For a majority of state agencies, general revenue is used to fund salaries and as a result, general revenue is directly appropriated to the retirement system for payment of benefits. However, because much of TPWD funding is derived from agency-specific accounts and most salaries are paid from these sources, payments for benefit costs must be transferred out of the specific accounts to the state’s retirement system.

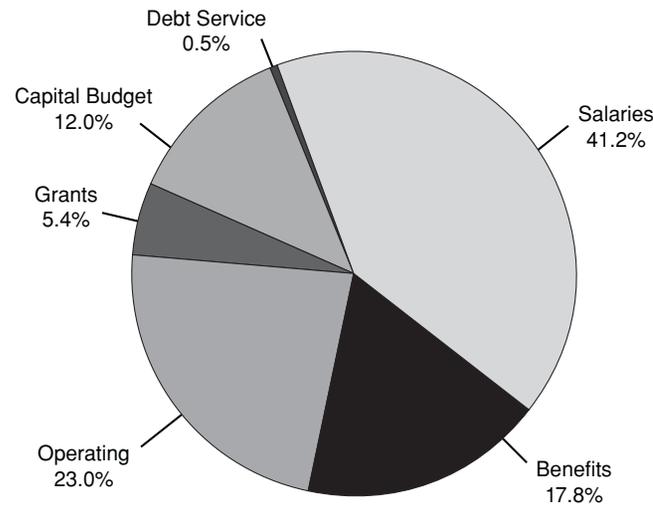
comprise the agency’s capital budget, which account for approximately 12.0 percent (or \$50.4 million) of the overall budget. The department’s grant budget comprises 5.4 percent (or approximately \$22.7 million) of overall funding. This includes amounts for local parks, outreach, boating access and other grant programs. Finally, roughly 0.5 percent (\$2.1 million) of the budget is allocated for debt service on bonds.

Financing the Budget

DEPARTMENT FUNDING AND ACCOUNTS

TPWD generates significant revenues from the sale of Parks and Wildlife products and services, such as hunting and fishing licenses and state park entrance and facility use fees. These revenues help fund a sizable amount of TPWD’s budget, but they are not sufficient to cover all funding needs. As a result, TPWD is funded from a combination of general revenue, general revenue-dedicated, federal and other funds. Figure 4 depicts the major funding sources for the department.

FY 2019 Total Budget by Category \$419.0 million



Source: 8/23/18 Commission Meeting Materials, FY 2019 Operating and Capital Budget

Figure 3

The next largest category of TPWD spending is operating costs, accounting for 23.0 percent (\$96.6 million) of the total budget, followed by critical infrastructure repairs and other items that

FY 2019 Total Budget by Funding Source (in millions)

| | | |
|--------------------------------------|--------------|---------------|
| General Revenue – Fund 1 | 147.2 | 35.1% |
| Game, Fish and Water Safety – Fund 9 | 133.2 | 31.8% |
| State Parks – Fund 64 | 61.1 | 14.6% |
| GR Ded. – Other | 0.2 | 0.0% |
| Federal | 72.7 | 17.3% |
| Other | 4.7 | 1.1% |
| Total | 419.0 | 100.0% |

Source: 8/23/18 Commission Meeting Materials, FY 2019 Operating and Capital Budget

Figure 4

By far the largest portion of funding is attributed to TPWD’s special, or dedicated, funds, which together account for approximately 46.4 percent of the Fiscal Year 2019 budget. Compared to general revenue, which is derived from general state taxes, these dedicated funds primarily consist of revenues generated from the Texas Parks and Wildlife Department customers. They are also distinguished from general revenue in that their appropriation and use is restricted to specific purposes as stated in statute.

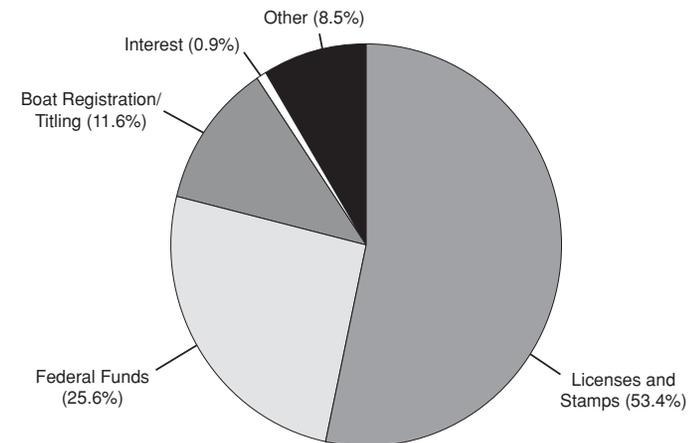
GENERAL REVENUE DEDICATED

The largest of the agency’s special funds is the Game, Fish and Water Safety Account (Fund 9), which accounts for 31.8 percent of the agency’s budget for Fiscal Year 2019. The main sources of revenue for Fund 9 (shown in Figure 5) include:

1. all types of fishing and hunting licenses, permits, and stamps;
2. federal funds received for fish and wildlife research and activities, including federal apportionments under the Sportfish and Wildlife Restoration Acts;
3. boat user, manufacturer, and dealer registration and titling fees, as well as boat and boat motor sales and use tax;
4. other activities and sources, such as the sale/lease of grazing rights on public lands, the sale of sand, shell and gravel, fines and penalties collected for violations of laws pertaining to the protection of fish, game and wildlife, and interest earnings.

As a statutorily dedicated account, Fund 9 may be used only for purposes related to the protection, regulation and conservation of the state’s fish and wildlife, sand, shell, and gravel, and the enforcement of water safety laws. Therefore, this fund pays for the operational activities and capital projects of the Inland Fisheries, Coastal Fisheries, Wildlife and Law Enforcement divisions as well as some support services of the administrative and support divisions.

**Game, Fish and Water Safety Account (Fund 9)
2019 Estimated Revenue – \$203.9 million**



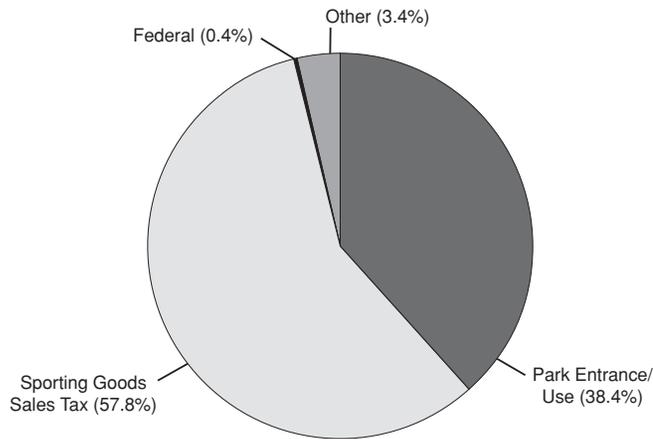
Source: Comptroller’s Biennial Revenue Estimate (Jan. 2019).

Figure 5

The State Parks Account (Fund 64) is the second-largest dedicated funding source for the department and accounts for about 14.6 percent of the Fiscal Year 2019 operating budget. The sources and uses of this account are associated with the operation of state parks, historic sites and natural areas (see Figure 6), and consist primarily of:

1. entrance and use fees for state parks;
2. a portion of the state sales tax on sporting goods;
3. other revenues, including gifts, grants and donations, oil and gas royalties and leases, federal funds, and interest.

**State Parks Account (Fund 64)
2019 Estimated Revenue – \$138.5 million**



Source: Based on Comptroller's Biennial Revenue Estimate (Jan. 2019) adjusted to include Sporting Goods Sales Tax allocation.
Note: The SGST total above does not include debt service payments to TPFA.

Figure 6

In addition to the accounts mentioned above, several smaller dedicated accounts also fund TPWD operations. A more comprehensive listing of agency accounts/funds, including statutory authorization and revenue streams, can be found in the Appendix.

GENERAL REVENUE

The General Revenue Fund (Fund 1) is another important source of funding for TPWD. The largest portion of general revenue funding appropriated to TPWD consists of allocations of sporting goods sales tax (SGST), which is used primarily to fund state and local park-related needs. Up until 2007, by statute, proceeds from the sporting goods sales tax up to a specified amount of \$27 million were divided

in half between the State Parks Account and the Texas Recreation and Parks Account (Account 467), which is used to provide grant funding for local park and other projects/activities. Proceeds above the \$27 million, up to a statutory cap of \$32 million, were split 40 percent to the State Parks Account, 40 percent to the Texas Recreation and Parks Account and 20 percent to the Texas Parks and Wildlife Conservation and Capital Account (Account 5004).

In 2007, the 80th Legislature passed House Bill 12, which directed 94 percent of total SGST proceeds to TPWD and the remaining 6 percent to the Texas Historical Commission, subject to legislative appropriations. House Bill 12 also required that SGST appropriations to TPWD be credited 74 percent to the State Parks Account, 15 percent to the Texas Recreation and Parks Account, 10 percent to the Large County and Municipality Recreation and Parks Account, and 1 percent to the Texas Capital and Conservation Account. In 2015, the 84th Legislature enacted new legislation (House Bill 158 and Senate Bill 1366) which dedicated SGST to state and local parks purposes and increased flexibility in how these funds could be allocated between TPWD funds, effectively removing the by-fund percentages previously mandated. That same biennium, the Legislature appropriated the full 94 percent of SGST, estimated at \$261.1 million, to TPWD purposes, marking the first time since passage of House Bill 12 that TPWD received its full SGST allocation. However, for the 2018-19 biennium, the SGST appropriation to TPWD totaled \$277.6 million, reflecting only 89 percent of TPWD's allowable SGST allocation.

The next largest portion of general revenue appropriated to TPWD consists of unclaimed refunds of motorboat fuel taxes. By statute, 75 percent of the revenue from unclaimed refunds of motorboat fuel taxes may be appropriated only to the Texas Parks and Wildlife Department (V.T.C.A. Tax Code, 162.502). TPWD's Fiscal Year 2019 appropriation reflects \$11.9 million from this source for aquatic vegetation management and law enforcement purposes. This equates to roughly 60 percent of the total statutory authorization for the year.

Finally, TPWD also receives “pure” general revenue appropriations to cover certain agency costs such as those required for debt service on revenue bonds, and law enforcement related operations.

BOND AUTHORITY

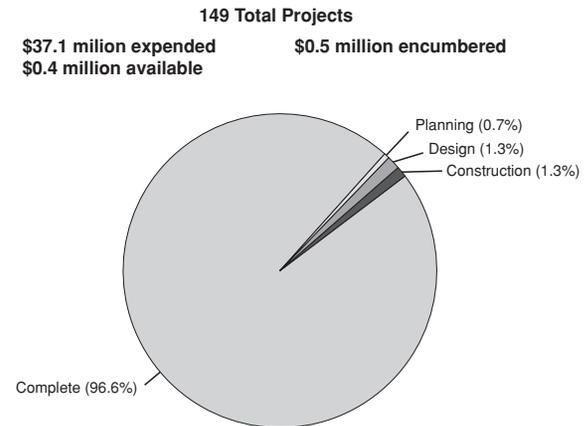
Bonds also comprise a portion of agency finances, and have helped enhance TPWD’s ability to undertake construction and repair projects at parks, wildlife management areas, fish hatcheries, and other facilities.

For the 2010-11 biennium, the 81st Legislature authorized issuance of \$38 million of Proposition 4 general obligation bonds for critical repairs and improvements at state parks, wildlife management areas and other facilities statewide. A total of \$10 million of this amount was dedicated to addressing weather related damages at Mother Neff State Park, Palo Duro Canyon State Park, and Government Canyon State Natural Area. TPWD received this issuance in April 2010, and as of November 2018 had expended or encumbered \$37.7 million on a total of 149 projects statewide (see Figure 7).

In 2011, the 82nd Legislature authorized the third issuance of Proposition 4 general obligation bond authority, totaling \$32.35 million, for repair and replacement of TPWD facilities statewide. TPWD received this issuance in April 2012, and as of November 2018 had expended or encumbered \$29.5 million on a total of 95 projects (see Figure 8).

Finally, for the 2014-15 biennium, the 83rd Legislature authorized issuance of \$11 million of Proposition 4 general obligation bonds for deferred maintenance. A total of 26 projects have been funded from this source, and as of November 2018, TPWD had expended or encumbered a total of \$5.9 million of this issuance (see Figure 9).

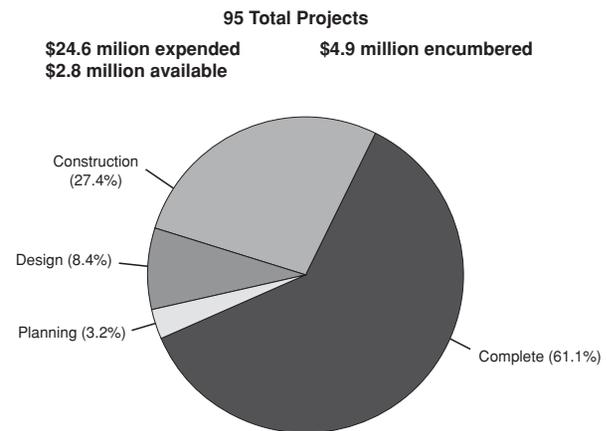
General Obligation Bond Project Status (Prop. 4, 2nd Issue – April 2010) as of November 30, 2018 (\$38.0 million)



Source: TPWD–Infrastructure Division

Figure 7

General Obligation Bond Project Status (Prop. 4, 3rd Issue – April 2012) as of November 30, 2018 (\$32.3 million)



Source: TPWD–Infrastructure Division

Figure 8

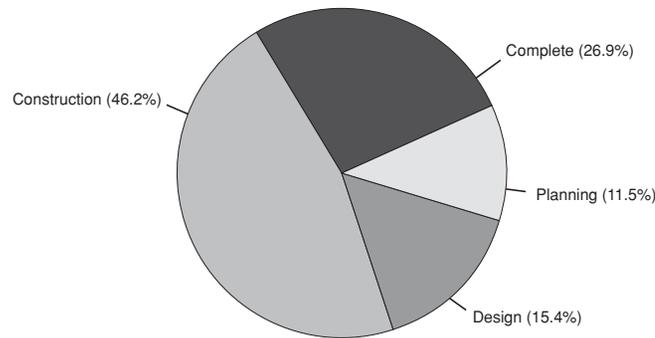
**General Obligation Bond Project Status
(Prop. 4, 4th Issue – March 2014) as of November 30, 2018**

(\$11.0 million)

26 Total Projects

**\$4.4 million expended
\$5.1 million available**

\$1.5 million encumbered



Source: TPWD—Infrastructure Division

Figure 9

FEDERAL SOURCES

In Fiscal Year 2019 approximately \$72.7 million of department funding is estimated to come from the federal government in the form of apportionments, grants and contracts. Almost all federal programs from which the department receives funding require the state to match contributions by a set percentage. In addition, each program has specific requirements to maintain the state’s eligibility for participation. Some federal sources are project specific, while others are more flexible in terms of how the funds may be used.

Two of the largest federal funding sources are apportionments allocated by the U.S. Fish and Wildlife Service to states by formula under the Wildlife Restoration Act (a.k.a. Pittman-Robertson programs) and the Sportfish Restoration Act (a.k.a. Dingell-Johnson/Wallop-Breaux programs). Of the department’s total estimated federal funds budget of \$72.7 million, \$35.0 million consisted of Wildlife Restoration funds, and \$20.4 million was Sportfish Restoration funds, for a total of \$55.4 million from these two sources combined.

Other significant federal funding sources anticipated in Fiscal Year 2019 include National Recreational Trails, Recreational Boating Safety, State Wildlife, and Cooperative Endangered Species grants. Under the state’s accounting mechanisms, the department’s federal funds flow into state funds. For example, both Wildlife Restoration and Sportfish Restoration funds are deposited to Fund 9.

OTHER

Foundation Support. The department receives additional support from the Texas Parks and Wildlife Foundation. The Foundation was incorporated in 1991 as a nonprofit entity for the purpose of assisting TPWD in carrying out its mission.

Friends Organizations. Numerous friends groups support the operations of specific TPWD sites, such as parks and hatcheries. These groups raise funds through private donations, gifts, concession operations and other sources and expend the receipts on behalf of the specific sites.

The Budget Process

LEGISLATIVE APPROPRIATIONS

In Texas, the Legislature meets and develops the state budget, or General Appropriations Act, every two years. The General Appropriations Act (GAA) establishes specific funding and performance levels for each state agency for the upcoming biennium, specifies the amounts that may be spent from each source of funding and sets agency staffing levels.

Agency-specific riders set further restrictions or more clearly specify the purposes for which appropriated funds may be used. In some cases, agency riders authorize appropriation of additional funds to the agency. As a result, riders can either increase or limit budgeting flexibility for TPWD. Examples of current riders that increase flexibility include Rider 5, Fund Transfer Authority (which helps alleviate cash flow problems) and Rider 28, Unexpended Balances Authority Within the Biennium (which allows the department to carry forward unexpended appropriations from one year to the other within a biennium). Rider 2, Capital Budget, which specifically delineates the capital budget amounts and items on which appropriations may be spent, is an example of a rider that directs and limits expenditures.

In addition to agency-specific information, the General Appropriations Act includes general provisions within Article IX that are applicable to all state agencies. These general provisions include items related to salary administration, various limitations on expenditures (including travel and salary caps) and additional appropriation authority.

In general, agency spending is limited to the agency-specific amounts set forth in the General Appropriations Act, plus any additional authority granted through agency rider and the general provisions of Article IX. In Fiscal Year 2019, the bill pattern appropriation authority for TPWD totaled \$344.5 million (see Figure 10).

FY 2019 Appropriation Authority (in millions)

| | |
|---|--------------|
| General Revenue – Fund 1 | 126.4 |
| Game, Fish and Water Safety Account – Fund 9 | 103.3 |
| State Parks Account – Fund 64 | 42.8 |
| Federal | 67.1 |
| Other (Appropriated Receipts, Other GR-D Accts, etc.) | 4.8 |
| Total | 344.5 |

Does not include authority associated with fringe benefits.
Source: 85th Legislature, General Appropriations Act 2019 (2018-19 GAA)

Figure 10

TPWD BUDGET

Within the framework of appropriations authority granted by the Legislature, the department develops its annual, agency-wide budget. The budget is based on agency needs and priorities balanced against available and anticipated revenues and appropriation authority.

Budget development generally begins during the spring and culminates in the adoption of the TPWD budget by the Commission in August of each year. Amounts budgeted by TPWD for any given year will generally exceed the original appropriation authority as shown in the General Appropriations Act. This is primarily due to the fact that the budget will reflect increases in funding authorized in riders and general provisions. In addition, the agency budget includes amounts associated with employee benefits, which are not reflected in TPWD appropriations.

For Fiscal Year 2019, the starting point for development of TPWD's internal budget was the General Appropriation Act. Similar to past years, divisions were directed to justify and prioritize all programs and were allowed to request additional budget only if it came with additional funding and authority (for example, in the case of federal funds or donations). As compared to original appropriation authority,

the only additional amounts reflected in the final approved Fiscal Year 2019 budget were those associated with employee benefits/benefit replacement pay.

Financial Issues

Due to TPWD's unique and varied funding streams and funding structure, the department faces a number of issues not often encountered by general revenue funded state agencies.

APPROPRIATION AUTHORITY VS. CASH AVAILABLE

For agencies such as TPWD that generate revenue through user fees and rely on dedicated accounts for funding, it is possible for the amount of appropriation authority granted by the Legislature to be different than the actual amount of cash generated and available for use. This is the result of a number of factors, including the fact that appropriation authority for agency funds such as Fund 9 or 64 is based on estimates of the amount of available balances and revenue to be generated two to three years in the future.

This feature of the budgeting process can have implications for agency cash and appropriations. For example, if appropriation authority exceeds actual cash available (including beginning balances and revenues), TPWD would be limited to expending the cash amounts available and would lapse appropriation authority — there would simply not be enough cash to cover appropriations. If the reason for such a lapse is not clearly understood, it could be perceived as an ineffective use of state funds.

On the other hand, absent specific rider or other appropriation authority, if actual cash exceeds the amounts appropriated in dedicated funds, TPWD's ability to utilize the excess funds to respond to increased demand would be restricted, since agency spending is limited to amounts appropriated. In these cases, excess revenue and balances would remain in the dedicated fund, helping to build balances which could be requested for appropriation in subsequent biennia.

FUND BALANCES VS. FUND AVAILABILITY

Another feature of general revenue-dedicated accounts is that fund balances do not always reflect actual fund availability. For example, Fund 9 includes revenues generated from the sale of various stamps, which by statute are restricted only for use on research, management and protection of certain species or their habitats. As a result, there is a distinction between the total balances/revenue within general revenue-dedicated funds and the actual amounts available for appropriation or expenditure on general agency operations.

Fund balances are also affected by allocations that are required, but not specifically or directly appropriated to the agency by the Legislature. Some of the more significant examples include employee benefit costs, which must be paid out of the funds from which salaries are paid and be proportional to each agency's method of finance, and required cash transfers to various state agencies, such as those made to the Employee Retirement System to cover insurance costs for current retirees and to the Texas Public Finance Authority for debt service. Sufficient general revenue-dedicated fund balances must be reserved for payment of these types of costs and associated amounts are not available for other uses.

Status Update on Fund 9 Balances: Leading into and during the last legislative session, projections indicated that unrestricted Fund 9 cash balances would be insufficient to support existing appropriation levels in the 2018-19 biennium, and that these reduced balances would impede the department's ability to carry out core wildlife and fisheries conservation, management and enforcement functions. To address these concerns, TPWD proposed a number of actions to help reduce the burden on unrestricted Fund 9. The 85th Legislature approved a number of these items, including proposed method-of-finance swaps submitted in the department's 2018-19 Legislative Appropriations Request (LAR) and passage of key legislation such as House Bill 448 (making transfer of boat registration and titling fees from Fund 9 to Fund 64 permissive rather than required) and Senate Bill 573 (expanding allowable uses of the freshwater fish stamp).

These actions, in tandem with the mandatory 4 percent reductions and other budgetary changes, helped improve the Fund 9 balance outlook and ensure sufficient cash balances to support current appropriation levels. Moving forward, any proposed growth in unrestricted Fund 9 operational expenditures, due to exceptional items or legislatively mandated increases, would need to be carefully evaluated for impacts and to determine if offsetting expenditure reductions or revenue increases would be needed to avoid significant depletion of cash balances again.

LIMITATIONS OF TAX REVENUES AND FEES

Dedicated tax revenues, such as the sporting goods sales tax (SGST) and unclaimed motorboat fuel tax refunds represent an important source of funding for the agency. However, as overall tax revenue from these sources has increased over the years, the agency portion has not always grown commensurately.

The Comptroller’s estimate of total sporting goods sales tax revenues has steadily increased over the years – from \$104.8 million in Fiscal Year 2006 to an estimated \$168.5 million in Fiscal Year 2019. While TPWD SGST appropriations have grown overall, amounts have not been consistent or predictable from biennium to biennium, and the total amounts provided to TPWD have, with the exception of the 2016-17 biennium, consistently fallen below the 94 percent set forth in statute. These fluctuations in SGST appropriations create continued challenges for long-term planning and TPWD’s ability to effectively address changing and growing state and local park needs. Likewise, revenue received from unclaimed refunds of motor boat fuels tax has

generally been less than total amounts authorized in statute. For the 2018-19 biennium, TPWD was appropriated roughly 61 percent of allowable URMFT.

For the 2020-21 biennium, TPWD will seek continued appropriation of all eligible SGST amounts, as well as access to any remaining URMFT designated for TPWD use. In addition, TPWD will continue to examine and pursue alternative funding mechanisms and options to improve our capacity to address long-term funding needs, and anticipates that further legislative discussion and action will be required to fully address these and other issues related to TPWD’s funding streams/structure.

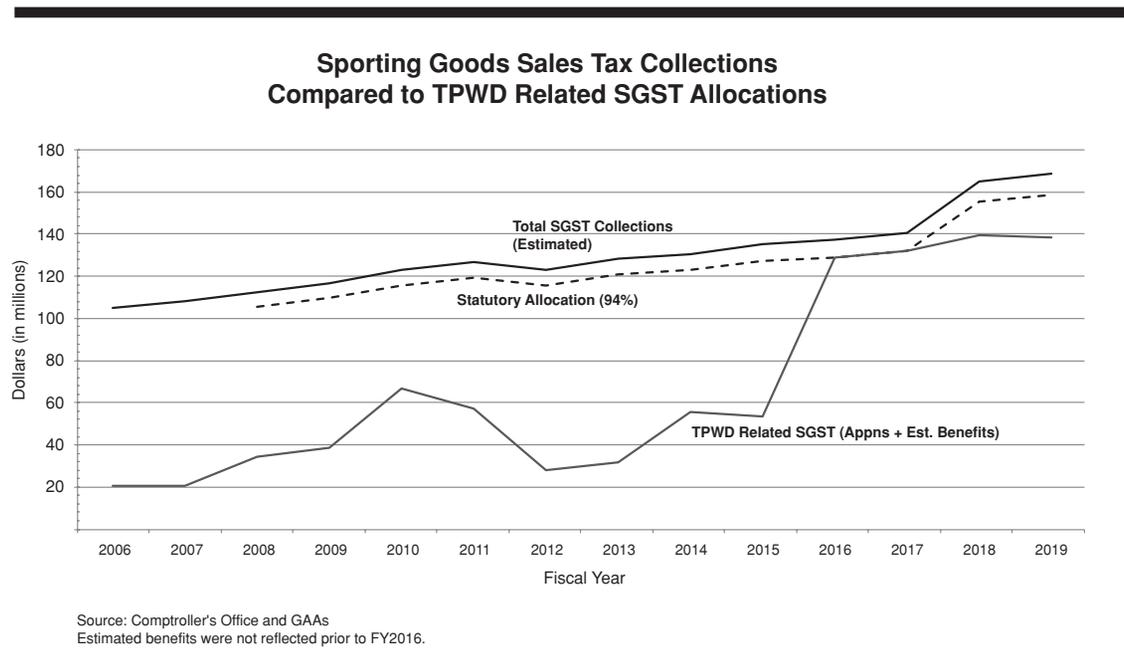


Figure 11

Fiscal Year 2020-2021 Funding and Rider Requests

BASE AND EXCEPTIONAL ITEMS

The Texas Parks and Wildlife Department’s Legislative Appropriations Request (LAR) for 2020-21 included a biennial base funding request of \$723.2 million and 3,147.7 full-time equivalent (FTE) employee positions in each year. It also included a request for eight exceptional items totaling \$200.6 million and 65.4 FTEs.

TPWD’s base level request was designed to address several important and long-standing agency needs, including state park funding deficits, capital construction project paid salaries for TPWD Infrastructure staff, critical staff recruitment and retention needs, and funding for game warden mobile and portable radios to ensure adequate interoperability and communication with other law enforcement staff and first responders. Maintaining base funding for these purposes has been a high priority for TPWD in order to meet ongoing and future operational demands.

TPWD LAR Compared to House and Senate (As Introduced) – Base

| Funding Request (in millions): | LAR | House | Senate |
|---------------------------------------|----------------|----------------|----------------|
| Total Base | \$723.2 | \$663.5 | \$751.9 |
| Base Method of Finance: | | | |
| General Revenue Funds | \$256.8 | \$205.4 | \$293.8 |
| General Revenue Dedicated | \$307.3 | \$299.0 | \$299.0 |
| Federal Funds | \$131.1 | \$131.1 | \$131.1 |
| Other Funds | \$28.0 | \$28.0 | \$28.0 |
| Total, Base Method of Finance | \$723.2 | \$663.5 | \$751.9 |

Source: TPWD Legislative Appropriations Request, House and Senate versions of the Appropriations Bill as Introduced

Figure 13

The House- and Senate-introduced versions of the appropriations bill reflect approval of the majority of these base items, with the following exceptions:

- Game Warden Radios: Both House and Senate versions of the bill reduced base funding for game warden radios by \$4 million;
- CAPPs Financials: Both House and Senate versions of the bill reduced base funding for CAPPs Financials by \$482K;
- Capital Construction/Deferred Maintenance:
 - House: The House version of the bill reduced funding for capital construction/deferred maintenance by a total of \$55.1 million, including \$8.2 million for fisheries- and wildlife-related projects and \$46.9 million for state parks-related projects.
 - Senate: The Senate version of the bill provided a net increase in funding for capital construction/deferred maintenance of \$33.4 million. This consisted of an \$8.2 million reduction for fisheries- and wildlife-related construction and repairs, offset by the addition of \$41.6 million in SGST to address state parks deferred maintenance projects and maximize appropriation of SGST at 2018-19 BRE levels.

Overall, the House version of the bill reflects a decrease of 8 percent as compared to TPWD’s request, while the Senate version reflects an increase of 4 percent, with the main difference between the two being attributed to treatment of SGST and capital construction/deferred maintenance.

TPWD has amended several of its existing exceptional items to respond to the base reductions and method of finance changes contained in the House and Senate versions of the bill. In addition to addressing priority needs for TPWD, these items seek to strategically utilize available fund balances and maximize appropriation of all estimated available Sporting Goods Sales Tax (SGST) consistent with the Comptroller’s revenue estimate. In all, the revised exceptional items total \$260.2 million for the House and \$175.4 million for the Senate as shown below (amounts are biennial and unless otherwise noted, are the same for House and Senate):

1. Address Increased State Park Costs

The State Parks system is experiencing increased pressures, failures, and resource demands due to significantly increased visitation, costs of serving more visitors, recurring disasters and aging and declining facilities. As such, State Parks have a critical need for operating funds to continue providing core services, such as daily site maintenance, preemptive repairs, and routine customer service activities. Additional visitation also brings the need for increased law enforcement to ensure visitor safety and resource protection.

Due to differences in the amount of SGST approved in the House and Senate versions of the bill, TPWD's request for this item totals \$15.4 million on the House side and \$10.4 million for the Senate. Specific needs included in the request are:

- \$5.3M/46.0 FTEs to help manage state park operations statewide. This would fund 14 park police officer positions to better meet safety and security requirements and 32 positions ranging from clerks, custodians, maintenance staff and rangers to address added visitor service and park maintenance needs resulting from increased visitation, as well as address increased operating and equipment costs.
- \$5.2M (House)/\$2.0M (Senate) to address operating cost increases/other operational imperatives. This includes funding for items such as increased fuel, electricity, waste disposal costs, maintenance and repair of vehicles/equipment, supplies and non-capital equipment. This also includes amounts tied to concession growth reinvestment in order to maximize revenue and allow additional investments in merchandise, rental equipment, and food products for resale at concession operations.
- \$3.7M (House)/\$1.9M (Senate) for transportation items and equipment to allow TPWD to come closer to replacing vehicles at the 10-year/100,000-mile threshold, and to replace equipment such as worn out/broken mowers and trailers.

- \$800K for minor repairs to address impacts of heavy visitation to aging park facilities.
- \$375K/6.4 FTEs for field-based positions devoted to pre-opening activities at Galveston Island and Palo Pinto state parks in Fiscal Year 2021.

2. Develop Palo Pinto Mountains State Park

This item requests \$12.5 million to complete the development of Palo Pinto Mountains State Park just west of Fort Worth. The new 4,000-acre state park will include a headquarters/visitor center, maintenance complex, canyon view day use, multi-use, equestrian and tent camping, lakeside day use for fishing, paddling, swimming, and other aquatic uses, and hike and bike and equestrian trails. TPWD plans to leverage private donations and TxDOT funding to help complete the park facilities and construct required roads and bridges.

3. Fund Construction and Repair Needs

TPWD's land and facility holdings include field offices, state parks, natural areas, historic sites, wildlife management areas, fish hatcheries, outreach centers, and the Austin headquarters complex. These sites, many of which are more than 40 years old, require ongoing infrastructure investment to ensure proper functioning, adequate maintenance, enhanced visitor experiences, and the safety of staff and visitors.

As a result of differences in capital construction/deferred maintenance funding in the House and Senate versions of the bill, TPWD's revised request for this item are quite different for House and Senate.

The House-revised exceptional item totals \$95.6 million. This would provide \$79.7 million for state park and TPWD headquarters projects, and includes \$46.9 million to reinstate SGST amounts reduced in the base. It would also provide \$15.9 million in Fund 9 over the biennium to address priority deferred maintenance and capital construction/

repair needs at TPWD headquarters and wildlife and fisheries facilities across the state. The Fund 9 portion of the request includes:

- \$8.2 million in Fund 9 capital construction to reinstate amounts reduced in the base, which included critical funding needed to finish out ongoing fisheries and wildlife capital projects such as pump repairs, pond liner repairs, and fisheries and wildlife field office renovations; and
- \$7.7 million in Fund 9 for important projects such as equipment replacement and upgrades at hatcheries, fence repairs and replacements at WMAs, and upgrades to the Austin headquarters complex.

The Senate revised exceptional item request is limited to \$15.9 million of Fund 9, for the same purposes as outlined above. Additional funding from other sources is not requested in the Senate exceptional item because the Senate version of the bill addressed state parks deferred maintenance by appropriating an additional \$41.6 million of SGST to TPWD in the base.

Without approval of the Fund 9 amounts in this exceptional item, TPWD will have no amounts allocated for fisheries- and wildlife-related projects for FY2020-21.

4. Law Enforcement Training, Equipment and Aircraft

This exceptional item requests \$20.0 million over the biennium to ensure that officers are adequately equipped and trained to safely and efficiently carry out their duties, including routine patrols, presence on public waterways, disaster response, and search and rescue missions. The request includes:

- \$5M for radios capable of statewide interoperability to support game wardens in officer safety, communication with other first responders, and effectiveness and efficiency in carrying out their mission, including life-saving search and rescue.
- \$2M for training for Boat Operations, Search and Rescue, Firearms, Investigations, Aviation, Dive, Tactical and In-service training. This training will help TPWD law

enforcement maintain required certifications and increase operational capability while mitigating safety concerns and maximizing effectiveness in serving constituents.

- \$1M for equipment such as night vision goggles, marine sonar, medical trauma kits, thermal imaging units, swift water rescue and helicopter hoisting equipment necessary for enhancing operational safety, day/night capability and situational awareness and victim rescue and recovery.
- \$12M for two new aircraft to ensure TPWD law enforcement can continue to execute its core conservation law enforcement mission set safely, curtail rising maintenance costs, and accommodate increasing mission capability requirements, particularly for emergency response and rescue operations. A properly equipped fixed-wing aircraft would be capable of providing intelligence, surveillance and reconnaissance for resource protection patrol and targeted operational activities which include the mission along the border, and during all hazard response operations. A new helicopter would allow law enforcement to fully support its statewide demands, while increasing the service life of the current helicopter.

5. CAPPs Financials

The 80th Texas Legislature passed House Bill 3106, charging the Comptroller's Office with implementing the Centralized Accounting and Payroll/Personnel System statewide. Currently, TPWD utilizes an Oracle-based internal financial system (BIS v.11i) which has been in place since 2011. CAPPs will replace this application with an easy-to-use and easy-to-update system that can be scaled to meet the diverse needs of the agency.

TPWD is scheduled to transition to the Financials component of CAPPs during the 2020-21 biennium, with an anticipated project start date of August 1, 2019 and implementation by September 1, 2020. This item requests \$2.7 million over the biennium for TPWD's staffing and operational needs associated with implementation of CAPPs Financials.

6. Hurricane Harvey Repairs

Over 30 department facilities suffered extensive damage due to Superstorm Harvey. To address more immediate and urgent repair needs such as regional offices and parks that were forced to close due to storm damage, TPWD, with the support of the Legislature's Joint Facilities Oversight Committee, redirected a significant portion of existing FY2018-19 construction/repair funding towards Harvey-related repairs. However, several other critical projects have not yet been addressed. This exceptional item requests \$9.0 million to fund additional projects stemming from Hurricane Harvey impacts. This would include levee repairs at Brazos Bend State Park (\$2M); restoration of the Buescher State Park Civilian Conservation Corps Dam Spillway (\$6M); and anchoring equipment to mitigate risks to Battleship *Texas* in the event of additional catastrophic weather events (\$1M). *NOTE: This item is being considered for inclusion in the supplemental bill.

7. Provide Local Park Grants

Local parks provide invaluable outdoor recreational and educational opportunities for communities around the state and help contribute to the physical, social, and mental well-being of its residents. They also offer positive and demonstrable economic impacts to communities. This item would provide \$5.0 million in Sporting Goods Sales Tax over the biennium to fund local park competitive grants at 100 percent of FY2018-19 levels.

8. Dry-Berth Battleship Texas:

This item should be considered a placeholder if the Legislature elects to consider dry-berthing the Battleship *Texas* in place in the Houston Ship Channel. It would provide \$100 million in General Revenue to dry-berth the ship and includes amounts necessary for permitting, design, construction, inspection, and testing. TPWD understands that the Sunset Commission has recommended transfer of the Battleship *Texas* to the Texas Historical Commission.

RIDERS

TPWD's original Legislative Appropriations Request reflected several requested rider modifications aimed at improving transparency, efficiency and effectiveness of programs and operations. While the House and Senate bills (As Introduced) incorporated several of these requested revisions, a number of rider items remain outstanding, as follows:

Payments to State Parks Business System Vendor

This new rider is needed to ensure TPWD can address costs associated with the new State Parks Business System (formerly TxParks) contract. The new contract is structured on a percent-of-revenue basis (4 percent), rather than the current flat fee structure. As such, contract costs will fluctuate depending on park revenues in any given year. The requested rider is critical to allowing TPWD the flexibility needed to address contract costs increases associated with increases in park revenues.

Rider 4, Unexpended Balance for Construction Projects

TPWD's bill pattern for the 2018-19 biennium did not allow for UB of General Revenue (GR) or General Revenue-Dedicated (GR-D) capital construction funds from the prior biennium. The inability to carry forward funds hampers planning and flexibility, and jeopardizes the department's ability to mitigate risks, especially in light of capital construction program challenges such as funding uncertainty from one session to the next, weather and disaster events, changing legislative priorities, and emergency projects. While both the House and Senate versions of the bill provide UB authority for 2018-19 Sporting Goods Sales Tax appropriations in a separate rider, neither includes authority to carry forward Fund 9 appropriations. TPWD requests UB authority for Fund 9 capital construction and repair appropriations as well.

Rider 14, Border Security

TPWD’s LAR requested modifications to Rider 15 to allow greater flexibility in use of border funds to address game warden training and other needs statewide. The TPWD Law Enforcement Division is focusing on a needs-based response concerning its border mission. The work of most game wardens will at some point have a border nexus. More flexibility in use of this funding would help increase warden safety by providing training and equipment for all wardens. TPWD requests approval of the rider language as submitted in the LAR.

Rider 10, Appropriation: License Plate Receipts

Both versions of the bill delete this rider in its entirety. While there is an Article IX provision addressing license plate receipts, it only allows access to revenues generated from the sale of plates during the biennium, and does not allow access to unobligated balances from the prior biennium or interest earnings. TPWD’s 2018-19 approved rider language was specifically structured to allow access to plate revenues, interest and balances. The ability to access balances provides greater flexibility to pursue larger, multi-year projects if needed and helps ensure plate funds, including those that are held on behalf of non-profit entities, can be used for purposes as intended by the Legislature. TPWD requests retention of this rider as submitted in the LAR to ensure continued ability to access any unobligated/ unspent balances and utilize interest earnings.

Rider 33, Northern Bobwhite Quail Interagency Contract

Both versions of the bill continue this rider with revised amounts for the bobwhite quail interagency contract. Consistent with the LAR, TPWD requests deletion of this rider and proposes shifting a portion of the authority from the Upland Game Bird Stamp to the Migratory Bird Stamp, to be used for various Migratory Bird initiatives, including conservation, developing refugia areas, prairie wetlands habitat, invasive species management, playa conservation, and program administration.

Appropriation of Merchandise for Resale Income

This new rider would allow TPWD to reinvest a portion of the revenue generated from staff-operated concession operations towards merchandise, rental equipment and food products for resale at those concession operations. It is anticipated that the ability to reinvest revenues in the program will lead to and enhance revenue growth, repeat visitation, destination travel and economic value.

APPENDIX

GENERAL REVENUE

Account 001

ALLOWABLE USES: Supplemental funding for any departmental program. Historically used to subsidize park operations and support administrative divisions, but recently used for aquatic vegetation management, border security and other law enforcement related operations.

SOURCE(S): Undedicated and unspecified state general revenue, unclaimed refunds of motor boat fuel taxes, other specific general revenue streams.

AUTHORITY: General Appropriations Act; Tax Code Chapter 160, 162.502.

GAME, FISH AND WATER SAFETY

Account 009

ALLOWABLE USES: Fisheries and wildlife management activities, including conservation, resource protection, research, habitat management and acquisition, private lands initiatives, fish hatcheries, and enforcement of game and fish laws. Also finances administrative costs of boat registration, boat and motor titling, construction and maintenance of boat ramps, issuing licenses, and enforcement of the Texas Water Safety Act. Proceeds credited to the account from the sale of certain stamps (such as migratory and upland game bird, freshwater and saltwater sportfishing) may only be spent for specific purposes as set forth in statute.

SOURCE(S): Hunting and fishing licenses and stamps, federal funds, boat user, manufacturer and dealer registration and titling fees, fines and penalties, revenue from other activities.

AUTHORITY: Includes PW Code 11.033, 43.405, 43.655, 43.657, 43.805; Tax Code 160.121

STATE PARKS
Account 064

ALLOWABLE USES: Acquisition, planning, development, administration, operation, maintenance and improvements of state parks and historic sites and related support functions.

SOURCE(S): Park entrance and use fees, sporting goods sales tax revenues, revenue derived from park concessions, donations, publications, fines and penalties, a portion of vessel registration and titling fees, and any other source provided by law.

AUTHORITY: Includes PW Code 11.035; Tax Code 151.801

TEXAS RECREATION AND PARKS
Account 467

ALLOWABLE USES: Matching grants to counties/municipalities with populations of less than 500,000 and to any other political subdivision. Grants may be provided for planning, acquisition, or development of local parks and grants for recreation, conservation, or education programs for underserved populations. Once revenues to the account exceed \$14 million per year, at least 15% must be used to fund indoor recreational facility grants.

* During the 2008-09 biennium, the Legislature suspended statutory requirements regarding use of this fund and directed that balances in this account be used to fund state park operations (see House Bill 12 and GAA).

SOURCE(S): Sporting goods sales tax revenues, other sources as authorized.

AUTHORITY: PW Code Chapter 24; Tax Code 151.801

**LARGE COUNTY AND MUNICIPALITY
RECREATION AND PARKS ACCOUNT**

Account 5150

ALLOWABLE USES: Matching grants to counties/municipalities with populations of 500,000 or more, and to non-profit corporations for use in large counties/municipalities. Grants may be provided for planning, acquisition, or development of local parks and grants for recreation, conservation, or education programs for underserved populations. Once revenues to the account exceed \$14 million per year, at least 15% must be used to fund indoor recreational facility grants.

SOURCE(S): Sporting goods sales tax revenues, other sources as authorized.

AUTHORITY: PW Code Chapter 24; Tax Code 151.801

NON-GAME SPECIES AND ENDANGERED SPECIES CONSERVATION

Account 506

ALLOWABLE USES: Any department activity or program relating to non-game and endangered species, including management, research, conservation, restoration, dissemination of information, acquisition and development of habitat.

SOURCE(S): Private contributions, grants and donations, proceeds from sale of wildlife prints and stamps, endangered species propagation permits, entrance fees, other income.

AUTHORITY: PW Code 11.052, 68.018

LIFETIME LICENSE ENDOWMENT

Account 544

| | |
|-----------------|--|
| ALLOWABLE USES: | Corpus and interest earned may be used for capital expenditures related to fisheries and wildlife resources, including land acquisition, construction, and purchase of transportation items, equipment and IT resources. Interest may further be used to develop, acquire, manage and repair public hunting and fishing areas. The fund may not be used to pay salary or benefit costs, and an unencumbered balance of \$20M must be maintained in the corpus of the fund. |
| SOURCE(S): | Revenues from lifetime hunting, fishing, or combination licenses, gifts, grants and donations, interest income, other. |
| AUTHORITY: | PW Code 11.061 |

ARTIFICIAL REEF

Account 679

| | |
|-----------------|--|
| ALLOWABLE USES: | Promotion, development, maintenance, and enhancement of the state's artificial reef program. |
| SOURCE(S): | Gifts and donations from private and public sources. |
| AUTHORITY: | PW Code 89.041 |

PARKS AND WILDLIFE CONSERVATION AND CAPITAL

Account 5004

- ALLOWABLE USES:** For expenditure only on acquisition, development, maintenance or operation of parks, fisheries or wildlife projects that have been individually approved by the Commission.
- SOURCE(S):** Receives sporting goods sales tax revenues, revenue bond proceeds and other funds. Note: House Bill 7 (83rd Legislature) provided that effective September 1, 2013, all revenue from the sale of specialty plates shall be paid to the credit of a new trust fund created by the Comptroller outside the general revenue fund (License Plate Trust Fund Account 0802). As such, language in Section 504.618 of the Transportation Code which specifies that conservation plate revenues shall be deposited to the Parks and Wildlife Conservation and Capital Account is obsolete.
- AUTHORITY:** PW Code 11.043; Transportation Code 504.618

LICENSE PLATE TRUST FUND

Account 0802

- ALLOWABLE USES:** To be used in accordance with the statutory purpose of each individual specialty license plate as specified in the Transportation Code or other source.
- Note: This is not a TPWD specific fund. The appropriated fund includes subaccounts for all specialty license plates, both TPWD and non-TPWD related. TPWD related subaccounts include TPWD Conservation Plates (3043-Horned Toad, 3044-Bluebonnet, 3045-Whitetail Deer, 3046-Camping, 3047-Largemouth Bass, 3048-Hummingbird, 3049-Rattlesnake , 3050-Texas Rivers) and pass-through non-profit plates (3030-Big Bend, 3057-Waterfowl/Wetlands, 3116-Texas Lions Camp, 3120-Marine Mammal Recovery, 3142-Marine Conservation, 3151-Save Texas Ocelots, and 3152-Quail).
- SOURCE(S):** Revenues from the sale of specialty license plates, interest.
- AUTHORITY:** Transportation Code 504.6012

DEFERRED MAINTENANCE FUND

Account 5166

ALLOWABLE USES: To fund deferred maintenance projects to bring state facilities into a better state of repair to ensure the safety of employees and visitors, the efficiency of building operations, and a long-term reduction in repair costs.

SOURCE(S): Fund consists of money appropriated, credited, or transferred to the fund by or at the discretion of the Legislature.

Note: This is not a TPWD specific fund. The appropriated fund includes amounts transferred from other funding sources to cover appropriations at multiple state agencies. For the 2016-17 biennium, a total of \$91.0 million was appropriated to TPWD from the Deferred Maintenance Account, consisting of the following sources: General Revenue (\$27.6 million), Sporting Goods Sales Tax - 64 (\$47.9 million), SGST - 5004 (\$6.6 million), and Game, Fish and Water Safety Account (\$8.9 million). No additional appropriations have been made since 2016-17.

AUTHORITY: Government Code 2165.403

GENERAL OBLIGATION BONDS

ALLOWABLE USES: Critical infrastructure repair, maintenance, improvements and other projects.

AUTHORITY: General Appropriations Act; Texas Constitution, Article III, 50 (f) and 50 (g)

REVENUE BONDS

ALLOWABLE USES: Construction of a new freshwater fish hatchery in East Texas, including construction project management and necessary equipment.

AUTHORITY: General Appropriations Act, 79th Legislature, Rider 24

MISCELLANEOUS

Texas Park Development Account 408:

Consists of proceeds derived from the sale of Texas Park Development Bonds, to be used for acquiring, developing, improving, beautifying, and equipping state park sites and paying expenses incurred in issuing bonds (Texas Constitution, Article III, 49-e; TPW Code 21.102).

Texas Park Development Bonds Interest and Sinking Fund 409:

Consists of interest received from the sale of bonds, income from park entrance or gate fees, investment income, other, to be used for paying principal, interest, exchange and collection charges associated with the issuance and maturity of Texas Park Development Bonds (Texas Constitution, Article III, 49-e; TPW Code 21.105).

Operating Account 420:

May be used for cash flow management for any department program (TPW Code 11.038).

State Parks Endowment Trust Account 885:

Earnings from gifts of property and cash dividends used to maintain state parks as specified by each donor (TPW Code 13.004, 13.008; Op.Tex.Att'yGen. No. WW-122, MW-493).



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